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City of Los Angeles

## REPORT FROM

## CITY ADMINISTRATIVE OFFICER

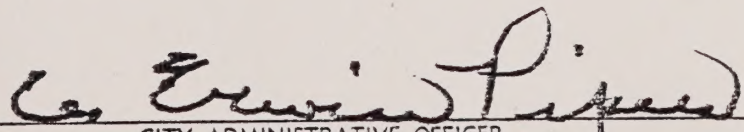
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|-----------|--|------|---------|--|------------------|
| TO        | <i>Real property tax -- CA.<br/>Municipal budgets -- " -- Los Angeles<br/>Los Angeles -- approp. + expend.</i> | DATE | 1/24/78 | CAO FILE No.                                 | 0230-02306(2)    |
| REFERENCE | Request of Council President   |      |         | INSTITUTE OF GOVERNMENTAL<br>STUDIES LIBRARY | COUNCIL FILE No. |
| SUBJECT   | Jarvis/Gann Initiative Constitutional Amendment<br>Tax Limitations   |      |         | JUL 17 1978                                  | COUNCIL DISTRICT |

SUMMARY

The Jarvis/Gann initiative Constitutional Amendment will be on the June 6, 1978 ballot. Although the intent is to limit ad valorem property taxes to one percent of full cash value, there are many uncertainties concerning the interpretation of its provisions. We believe the proposal has a potentially devastating effect on local government especially since the effective date of the initiative is only 24 days (July 1, 1978) after it appears on the ballot. While this report's general comments on impact apply to all local governmental agencies, a detailed analysis has been made only on the impact on the City.

The State Legislative Analyst has estimated that the State-wide reduction in property taxes would amount to \$7 to \$8 billion if the initiative passes. No replacement revenues are specified in the measure. To offset such a reduction would require either an increase in the sales tax to 12.25 percent, a 150 percent surcharge on the income tax, or elimination of the 50% business inventory tax exemption and an increase in the bank and corporation tax rate from nine percent to 44 percent. Since businesses pay about 65 percent of property taxes, the initiative will provide a substantial portion of the total relief to business interests, before replacement revenues are considered. Homeowners would receive property tax relief but may pay more in total taxes depending on replacement revenues. There is no requirement for rents to be reduced and renters may end up paying substantially higher taxes (and landlords could receive windfall profits).

(Summary continued)

  
 CITY ADMINISTRATIVE OFFICER



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There is no specified formula for distribution of property tax revenues collected under the 1% limitation. Section 4 may prohibit any local taxation, whether new taxes or existing taxes, unless approved by a two-thirds vote of all "qualified electors" (including those who don't vote). Future bond issues financed from property taxes and property tax overrides would be prohibited; this could seriously impair or eliminate capital construction for school districts, water districts and other local government entities. Community redevelopment agency projects would be jeopardized by the reduction in property tax levies; it is likely that such reductions would result in the default of some tax allocation bonds issued by redevelopment agencies.

The uncertainties in the proposal prevent a precise determination of its impact on the City. Assuming a pro rata distribution is made to all taxing jurisdictions (however, see Findings paragraph 7 for reasons why this may be impossible or why the City, County, etc. might receive less than a proportionate share of property tax revenues under such a methodology), City property taxes for 1977-78 would have been reduced by roughly 67 percent or \$235 million. This would mean that \$60.2 million would be raised to finance services - General Government, Fire and Police Pensions, City Employees' Retirement, Fire Facilities tax override - for which \$295.2 million was collected in 1977-78. The Real Property Transfer Tax would be eliminated (\$2.6 million) and other City revenues could be adversely impacted.

If the State provides replacement revenues, a large measure of control over local government could be transferred to the State.

In summary, the initiative could result in chaos in the providing of government services as well as severe economic disruption throughout the State.

If the initiative is approved, the City could reduce services by approximately 30 percent or, in order to continue providing services at the present level, the City could enact new or increased taxes, seek State authority to impose new taxes, or seek State replacement revenues. See Findings paragraph 16 and Attachments 3, 4, and 5 for possible alternatives.

In discussion before the City Council on January 20, 1978, a representative of the City Attorney stated that it may be possible to challenge the initiative in court on the basis that it contains more than one subject. This matter should be pursued expeditiously.

#### RECOMMENDATIONS

1. That the City seek court action to remove the Jarvis/Gann initiative from the ballot if the City Attorney believes that the measure may be found to be unconstitutional.

(Recommendations continued)





2. That the City consider enacting taxes or fees (as listed in Attachment 4) to provide replacement revenues for revenues that would be lost if the Jarvis/Gann initiative is approved. This action should be taken as soon as possible to obtain the necessary lead time to obtain full year collection of revenues.
3. That the City seek State authority to enact taxes (as listed in Attachment 5) to provide some replacement revenues for revenues that would be lost if the Jarvis/Gann initiative is approved. This action should be taken as soon as possible to obtain the necessary lead time to obtain full year collection of revenues.
4. That the Council determine what appropriate action should be taken with respect to reduction in City service levels and request that the Mayor consider such action in preparation of the 1978-79 Proposed Budget.

(Statement of Findings attached)

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## FINDINGS

### 1. The Proposal

The Jarvis/Gann initiative Constitutional Amendment will be on the June 6, 1978 ballot. The amendment (see Attachment 1 for full text of the measure) would limit ad valorem property taxes to 1 percent of full cash value basically using 1975-76 values. The 1 percent tax would be collected by counties and "apportioned according to law to the districts within the counties." The limitation shall not apply to taxes required to pay bond redemption and interest on indebtedness approved by the voters prior to the effective date of the measure. The full cash value of real property shall be redetermined when a change in ownership takes place or for new construction. The fair market value base may reflect the inflationary rate but shall not increase more than 2 percent per year. Cities and counties, by a two-thirds vote of the electors, may impose special taxes except ad valorem taxes on real property or a transactions or sales tax on the sale of property. Any changes in State taxes for the purposes of increasing revenues must be approved by a two-thirds vote of all members of each house of the Legislature except that no new ad valorem taxes on real property or taxes on sales of real property may be imposed. The effective date of the initiative is July 1, 1978.

### 2. Our Review

We have reviewed the analyses of the initiative by the staff of the State Assembly Revenue and Taxation Committee (September 26, 1977) and the California Taxpayers Association (Cal Tax News, October 1, 1977) and have discussed the provisions with a representative of the City Attorney. After our review, we conclude that this proposal is very poorly written. We believe this proposal could have a devastating impact on local government, especially since the effective date is only 24 days after it appears on the ballot.

### 3. Uncertainties of Interpretation

There are numerous uncertainties regarding the effects of the tax initiative. The terms used are not defined and there could be many questions as to the proper interpretation. Some general questions are:

- a. The first sentence in Section 1(a) states the maximum amount of property taxes shall not exceed one percent of full cash value; it could therefore be concluded that the full one percent need not be levied. The second sentence states that

(Findings continued)





the one percent tax shall be collected by counties and apportioned according to law to the districts "within" the counties. Since Sections 3 and 4 appear to prohibit cities, counties, special districts and the State from imposing property taxes on "real" property, who will impose such a tax if it is to be at a rate less than one percent? Is a multi-county district such as the Metropolitan Water District "within" the county?

- b. Section XIII 2 of the State Constitution states that the Legislature may provide for property taxation of personal property but "...the tax per dollar of full value shall not be higher on personal property than on real property in the same taxing jurisdiction." Since the initiative refers only to "real" property, what is the effect on "personal" property taxation? Would the full value of personal property be determined on a present value basis or under initiative provisions?
- c. For the first year of implementation, would the unsecured tax rate continue to be the prior year rate or would it be reduced under initiative provisions?
- d. Could the assessor complete the final assessment roll by the third Monday in August for the 1978-79 fiscal year? If not, how could the tax rate be established by legal deadlines?
- e. Section 1 limits the property tax on real property to one percent of full cash value; Section 2(a) defines full cash value as "the County Assessors valuation of real property as shown on the 1975-76 tax bill". What is the effect on State assessed property (public utilities) that amounts to \$500 million of assessed valuation in the City?

#### 4. Impact on Other Local Taxation

Section 4 states that, if approved by a two-thirds vote of the electorate, local agencies may impose special taxes, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property. The interpretation of the word "special" is not known. If literally interpreted, this provision could prohibit any local taxation unless approved by a two-thirds vote of the electorate (it is uncertain as to whether this applies to existing as well as new taxes).

It is noted that the provision states "qualified electors" without the qualification, presently in the Constitution for bond issues, "voting at an election to be held for that purpose." Therefore, nonvoting qualified electors would be included in the two-thirds requirement. The effect of this wording would virtually eliminate





the possibility of approval of a "special" tax-- if the voter turnout is less than 66-2/3 percent, a unanimous vote for approval would not pass the measure.

5. Replacement Revenues are Unknown

The State Legislative Analyst has estimated that the State-wide reduction in property taxes will amount to \$7 to \$8 billion. Replacement revenues for this reduction in local property tax revenues are not specified -- as examples of the magnitude of revenues required to offset such a reduction, this would require either an increase in the sales tax rate to 12.25 percent; a 150 percent surcharge on the income tax; or elimination of the 50% business inventory tax exemption and an increase in the bank and corporation tax rate from 9 percent to 44 percent.

6. Property Tax Relief

Since business pays about 65 percent of property taxes, the initiative will provide a substantial portion of the total relief to business interests, before replacement revenues are considered. Homeowners would receive property tax relief (a homeowner in the City of Los Angeles would save approximately \$975 on a \$50,000 home based on 1977-78 taxes) but may pay more in total taxes, depending on replacement revenues.

The initiative does not require rents to be reduced. It would appear that renters (there are an estimated 637,000 occupied rental units in the City) would receive no benefits if the initiative passes but would likely pay substantially higher taxes (sales taxes, income taxes, etc., used to provide replacement revenues). Landlords could receive windfall profits if rents are not reduced.

7. Distribution of Property Tax Revenues is Unknown

The 1 percent limitation translates to a total tax rate of \$4.00; with the various overlapping taxing jurisdictions and the varying rates (\$7.73 to \$17.32 within Los Angeles County for 1977-78) the distribution of property tax revenue is unknown. A pro rata reduction, which would appear to be the most equitable method, probably could not be implemented. Since a general county rate must be uniform throughout the county, a city rate must be uniform throughout the city, etc, and a pro rata reduction may result in special districts receiving a large proportion of the maximum rate of \$4.00, the city and/or county could only impose a rate equal to the smallest difference between the special districts entitlement and the \$4.00 rate even though in other areas of the city or county the difference may be much greater.





To illustrate, the County share of the total tax rate is 30.9 percent within the City of Los Angeles, 55.0 percent in the lowest rate area (City of El Segundo), and 24.6 percent in the highest rate area (Lake Hughes-unincorporated area). Under a proportionate reduction plan, the County could levy \$1.24 in the City of Los Angeles, \$2.20 in the lowest rate area, and \$.98 in the highest rate area. Since the County rate must be uniform, under a proportionate reduction method the County rate could only be \$.98. The additional County "entitlement" in El Segundo of \$1.22 (and \$.26 in the City of Los Angeles) would not be levied and the total \$4.00 potential rate under the initiative would not be imposed. This same methodology would apply for City rates (if there are special districts within a city).

Since special districts are generally only financed by property taxes, the initiative could also force a change in taxation from an "ad valorem" to a "benefits" basis in order to continue to provide necessary services in the special district.

#### 8. Differing Property Tax Payments for Same Services

Under the initiative provisions, the assessed value shall not increase more than 2 percent per year except for new construction or when a change in ownership takes place. The City has consistently opposed a "freeze" on assessed valuation because the owners of identical homes may pay substantially different property tax amounts for the same services depending on when a change of title took place.

For example, assume two identical homes where the owners paid \$1,000 in property taxes in year one. If no change in ownership takes place, in the tenth year the property tax bill would be \$1,195 assuming a 2 percent inflation factor per year. However, if the actual cost of living increase averages eight percent per year rather than the two percent allowed under the initiative (and housing demand remains constant), a purchaser of one of the homes in the tenth year would pay \$2,000 in property taxes rather than \$1,195 the other owner would pay for the same services.

To avoid reassessment resulting from a change in title, potential purchasers of property could enter into some form of leasing agreement with the owner of the property.

#### 9. Impact on Capital Construction

The initiative prohibits future bond issues financed from property taxes as well as property tax overrides. This prohibition could seriously impair or eliminate capital construction for school districts, water districts, and other local government entities.

(Findings continued)





It is likely that bond interest rates throughout California will be adversely affected if the initiative passes.

10. Default of Tax Allocation Bonds Issued by Redevelopment Agencies.

The property tax limitation does not affect existing bonded indebtedness approved by the voters. However, there is no provision to exempt outstanding tax allocation bonds issued by redevelopment agencies. It is likely that in the absence of action by the State Legislature, the reduction in property tax levies will result in the default of some outstanding tax allocation bonds. Future redevelopment projects could also be practically eliminated.

11. City Property Taxes

As indicated above, the uncertainties in the provisions of the tax initiative prevent a precise determination of the impact on the City. A one percent of full cash value rate could have reduced the property tax levy for 1977-78 by roughly 67 percent or \$235 million, assuming a pro rata reduction is made for each taxing jurisdiction. This calculation reflects a projection of assessed values from 1975-76 under initiative provisions (1975-76 values with maximum of 2 percent a year cost of living increase plus factors for new construction and change of ownership); it is estimated that for 1977-78 the assessed value under the initiative provisions is approximately 85 percent of actual assessed value.

There is a possible impact on property taxation of City lands in Inyo and Mono counties. If the taxation methods listed in Article XIII, Section 11 of the State Constitution are superseded by the initiative provisions, there could be a savings accruing to the Department of Water and Power. A comparison of taxes under the two methods cannot be made because assessments are not available for the lands in question (the Constitution provides for a base year amount to be increased by the average Statewide increase each year).

12. City Bond Issues and Tax Override Measures

Another significant impact is the prohibition against funding future bond issues from property taxes. Bonds have been used to construct fire and police facilities, library and recreational facilities, and sewer facilities.

Property tax overrides, such as the present Fire Facilities and Police Communications measures, would also be prohibited.





These prohibitions remove from the electorate potential financing mechanisms which historically have been very significant in constructing municipal improvements.

### 13. Other City Revenues

The Real Property Transfer tax (City receipts of \$2.6 million for 1977-78) would apparently be prohibited.

It is not clear whether the State Motor Vehicle "in lieu" tax, presently 2% of market value, would be affected. A cut to 1% of market value would amount to a \$16,115,000 reduction based on 1977-78 budgeted revenues. However, we interpret the Motor Vehicle License fee to be a privilege tax and therefore not affected by the initiative.

The impact on City revenues depending on tax effort (e.g., General Revenue Sharing) is unknown since replacement revenues are unspecified; if no replacement revenues are provided, there would be a reduction in General Revenue Sharing revenues of an unknown amount.

### 14. How reduction in City Property Tax Revenues would be Implemented

Under the initiative provisions, the City tax rate for 1977-78 would be approximately \$.95 per \$100 of value (assuming a pro rata reduction for each taxing jurisdiction). This compares to the 1977-78 City tax rate of \$2.8807 (this rate and the \$.95 rate include \$.12 for bond redemption and interest). Under City Charter provisions, a total of \$.26 shall be allocated to the Library (\$.07), Recreation and Parks (\$.13), and Permanent Improvement Fund (\$.06). It is likely that the Police Communications Tax Override Fund would receive a full allocation (the Charter amendment states \$10 million "shall" be levied; the Fire Facilities Tax Override measure states "may" be levied). This leaves approximately \$.47 for other purposes - General Government, Fire and Police Pensions, City Employees' Retirement, Fire Facilities Tax Override - for which a tax levy of \$2.4011 was imposed for 1977-78 (an 80% or \$235 million reduction).

### 15. Comparison of Current City Revenues with Estimated Revenues under Initiative

See Attachment 2 for a comparison of 1977-78 City revenues with estimated revenues the City would receive under the Jarvis/Gann Initiative provisions.

(Findings continued)





# 16. Actions City Could Take Assuming Approval of the Initiative

If the initiative is approved, the City could reduce services by approximately 30 percent or, in order to continue providing services at the present level, the City could enact new or increased taxes, seek State authority to impose new taxes, seek State replacement revenues, etc.

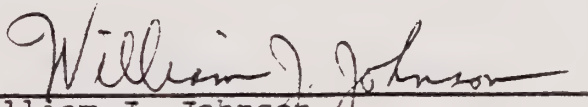
- a. Reduction in City services. A tabulation of the effects on major City services of an across the board reduction of 30 percent is illustrated in Attachment 3 (since some programs cannot be reduced, the percentage reduction in operating budgets is higher than would be anticipated; for 1978-79, the reduction would likely be a somewhat higher percentage). A representative of the City Attorney advises that it may be possible for the City to adopt two budgets for 1978-79, one of which would be effective only if the Jarvis/Gann initiative is approved (this procedure is necessary because the Charter requires that the Council adopt the Budget on or before June 1).
- b. City Enactment of New or Increased Taxes. A tabulation of possible additional revenues that could be received through City imposition of new or increased taxes and fees is illustrated in Attachment 4. See paragraph 4 for possible electorate approval required for tax measures.
- c. State Authority to Impose New or Increased Taxes. A tabulation of possible additional revenues that could be received if State authority is granted is illustrated in Attachment 5.
- d. State Replacement Revenues. The City could seek replacement revenues from the State (such as subventions of personal income tax revenues or any State general revenues) to offset the loss in property tax revenues.
- e. Other Action. It may be possible to create maintenance districts on a "benefits" basis rather than an "ad valorem" basis. However, this is not considered to be feasible because of the significant administrative costs involved and considerations of equity ("poor" areas may require more services and therefore would pay more than other areas).



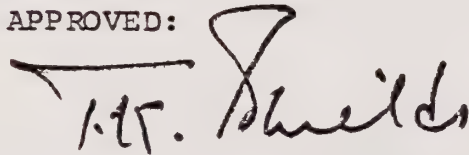


17. Constitutionality of Initiative

In discussion before the City Council on January 20, 1978, a representative of the City Attorney stated that it may be possible to challenge the initiative in court on the basis that it contains more than one subject. A finding to this effect would invalidate the measure under provisions of Article IV, Section 22(d) of the State Constitution.

  
William J. Johnson  
Principal Administrative Analyst

APPROVED:

  
L. F. Shields

Assistant City Administrative Officer

WJJ:atms

Attachments





Jarvis/Gann Initiative Constitutional Amendment

Section 1.

(a) The maximum amount of any ad valorem tax on real property shall not exceed One percent (1%) of the full cash value of such property. The one percent (1%) tax to be collected by the counties and apportioned according to law to the districts within the counties.

(b) The limitation provided for in subdivision (a) shall not apply to ad valorem taxes or special assessments to pay the interest and redemption charges on any indebtedness approved by the voters prior to the time this section becomes effective.

Section 2.

(a) The full cash value means the County Assessors valuation of real property as shown on the 1975-76 tax bill under "full cash value", or thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred after the 1975 assessment. All real property not already assessed up to the 1975-76 tax levels may be reassessed to reflect that valuation.

(b) The Fair market value base may reflect from year to year the inflationary rate not to exceed two percent (2%) for any given year or reduction as shown in the consumer price index or comparable data for the area under taxing jurisdiction.

Section 3.

From and after the effective date of this article, any changes in State taxes enacted for the purpose of increasing revenues collected pursuant thereto whether by increased rates or changes in methods of computation must be imposed by an Act passed by not less than two-thirds of all members elected to each of the two houses of the Legislature, except that no new ad valorem taxes on real property, or sales or transaction taxes on the sales of real property may be imposed.

Section 4.

City, Counties and special districts, by a two-thirds vote of the qualified electors of such district, may impose special taxes on such district, except ad valorem taxes on real property or a transaction tax or sales tax on the sale of real property within such City, County or special district.





Section 5.

This article shall take effect for the tax year beginning on July 1 following the passage of this Amendment, except Section 3 which shall become effective upon the passage of this article.

Section 6.

If any section, part, clause, or phrase hereof is for any reason held to be invalid or unconstitutional, the remaining sections shall not be affected but will remain in full force and effect.





## ATTACHMENT 2

Comparison of City Revenues  
with Estimated Revenues  
Under Jarvis/Gann Initiative

1977-78

(millions)

|  | <u>Budget</u> | <u>Jarvis/Gann Initiative</u> | <u>Reductio</u> |
|--|---------------|-------------------------------|-----------------|
| Property Taxes (and<br>State Replacement)  |               |                               |                 |
| Library  | \$ 7.4        | \$ 7.4                        | \$ --           |
| Recreation & Parks   | 13.8          | 13.8                          | --              |
| Permanent Improvement  | 6.4           | 6.4                           | --              |
| Bond Redemption  | 15.5          | 15.5                          | --              |
| Police Communications Tax Override   | 10.0          | 10.0                          | --              |
| Other (General Government,<br>Fire and Police Pensions,<br>City Employees' Retirement,<br>Fire Facilities Tax<br>Override) | 295.2         | 60.2                          | 235.0           |
| Subtotal   | \$ 348.3      | \$ 113.3                      | \$ 235.0        |
| Real Property Transfer   | 2.6           | -0-                           | 2.6             |
| Other  | 687.1         | 687.1*                        | -0-             |
| Total  | \$ 1,038.0**  | \$ 800.4                      | \$ 237.6        |

\* The impact on City revenues depending on tax effort (e.g., General Revenue Sharing) is unknown since replacement revenues are unspecified. The impact on the State Motor Vehicle tax is also unknown.

\*\* Final City Budget plus \$10 million Police Facilities Tax Override (this measure was approved after the Budget was adopted but property taxes were levied for 1977-78).



## Attachment 3

Effects on Major City Services of Across the  
Board Reduction of 30 Percent\*

| <u>Department</u>          | <u>Program Description</u>               | <u>Positions</u> |    | <u>Amount<br/>(thousands \$)</u> |
|----------------------------|--|------------------|----|----------------------------------|
| <u>Animal Regulation</u>   |  |                  |    |                                  |
|                            | Animal Control                           | 35               | \$ | 573                              |
|                            | Animal Temporary Care<br>and Shelter     | 12               |    | 216                              |
|                            | Administration                           | <u>9</u>         |    | <u>140</u>                       |
|                            | Total                                    | 56               |    | \$ 929                           |
| <u>Building and Safety</u> |  |                  |    |                                  |
|                            | Earthquake Hazardous<br>Buildings        | 10               | \$ | 195                              |
|                            | Residential and<br>Commercial Complaints | <u>25</u>        |    | <u>899</u>                       |
|                            | Total                                    | 35               |    | 1,094                            |
| <u>City Attorney</u>       |  |                  |    |                                  |
|                            | Criminal Prosecution:                    |                  |    |                                  |
|                            | Special Prosecutions                     | 39               | \$ | 900                              |
|                            | Trials-Office                            |                  |    |                                  |
|                            | Hearings                                 | 13               |    | 300                              |
|                            | Civil Representation:                    |                  |    |                                  |
|                            | Civil Liability                          | 18               |    | 500                              |
|                            | Employee Relations                       | 4                |    | 100                              |
|                            | General Counsel                          | 12               |    | 300                              |
|                            | Land Use                                 | 8                |    | 200                              |
|                            | Administration                           | 20               |    | 500                              |
|                            | Increase Salary Savings<br>Requirement   | <u>--</u>        |    | <u>600</u>                       |
|                            | Total                                    | 114              |    | 3,400                            |

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\*The 30 percent was selected as a starting point based on estimated property tax reductions that would occur if the initiative was in effect for 1977-78 and estimated cutbacks required to offset such a reduction (considering that some budgeted items cannot be reduced). Although an effort was made to minimize revenue losses, the reductions will result in some loss of receipts (primarily programs where some fees are imposed although all City costs are not recovered).





| <u>Department</u>   | <u>Program Description</u>       | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|---------------------|----------------------------------|------------------|--|
| <u>City Clerk</u>   |                                  |                  |  |
|                     | Council and Public Services:     |                  |  |
|                     | Calligraphy                      | 6                | \$ 100                                 |
|                     | Main Office                      | 8                | 200                                    |
|                     | Administration of                |                  |  |
|                     | City Elections                   | 5                | 100                                    |
|                     | Property Ownership               | 4                | 50                                     |
|                     | Tax, Permit, and Fee Collection: |                  |  |
|                     | Research and Analysis            | 5                | 100                                    |
|                     | Special Investigation            | 6                | 100                                    |
|                     | Field Enforcement                | 25               | 400                                    |
|                     | Field Audit                      | 10               | 200                                    |
|                     | Office Post Audit and            |                  |  |
|                     | Central Operations               | 22               | 200                                    |
|                     | Administration                   |                  |  |
|                     | (includes Human Relations        |                  |  |
|                     | Commission)                      | <u>16</u>        | <u>150</u>                             |
|                     | Total                            | 107              | \$1,600                                |
| <u>Data Service</u> |                                  |                  |  |
|                     | System Development               | 27               | \$ 656                                 |
|                     | System Maintenance               | 24               | 504                                    |
|                     | System Operation                 | <u>71</u>        | <u>2,100</u>                           |
|                     | Total                            | 122              | 3,260                                  |
| <u>Fire</u>         |                                  |                  |  |
|                     | Fire Suppression:                |                  |  |
|                     | Close 56 Single Engine           |                  |  |
|                     | Companies                        |                  |  |
|                     | Fire fighters                    | 840              | \$22,200                               |
|                     | Reduce one Fire                  |                  |  |
|                     | fighter II from 39               |                  |  |
|                     | Task Force and Heavy             |                  |  |
|                     | Duty Task Force                  |                  |  |
|                     | Stations with over 10            |                  |  |
|                     | Fire fighters                    | 117              | 2,800                                  |
|                     | Fire Prevention:                 |                  |  |
|                     | Eliminate Public Safety          |                  |  |
|                     | Section                          |                  |  |
|                     | Fire fighters                    | 38               |  |
|                     | Civilian                         | 3                | 1,000                                  |
|                     | Eliminate Industrial             |                  |  |
|                     | and Commercial Section           |                  |  |
|                     | Fire fighters                    | 45               |  |
|                     | Civilian                         | 5                | 1,200                                  |





| <u>Department</u>           | <u>Program Description</u>   | <u>Positions</u> | <u>Amount<br/>(thousands \$)</u> |
|-----------------------------|--|------------------|----------------------------------|
| <u>Fire (Cont)</u>          | Emergency Ambulance:   |                  |                                  |
|                             | Eliminate 5 Non-paramedic Ambulances   | 30               | 800                              |
|                             | Eliminate 9 Paramedic Ambulances   | <u>54</u>        | <u>1,300</u>                     |
|                             | Fire fighters  | 1,040            |                                  |
|                             | Civilian   | 92               | \$29,300                         |
| <u>Municipal Auditorium</u> |  |                  |                                  |
|                             | Custodial and Clerical Positions   | 13               | \$ 139                           |
|                             | Delete Modifications and Improvements Projects and Defer Purchase of Equipment     | --               | 165                              |
|                             | Contract with Visitors and Convention Bureau                                       | <u>--</u>        | <u>450</u>                       |
|                             | Total  | 13               | 754                              |
| <u>Personnel</u>            |  |                  |                                  |
|                             | Emergency Care - Medical Care to Prisoners   | 17               | \$ 500                           |
|                             | Employment Opportunities - Test Research and Affirmative Action Program Monitoring | 11               | 200                              |
|                             | Personnel Management - Training  | 10               | 400                              |
|                             | Occupational Health and Safety:  |                  |                                  |
|                             | Safety   | 9                | 200                              |
|                             | Preventive Medicine  | 19               | 500                              |
|                             | Worker's Compensation Clinics, Pharmacy, Rehabilitation                            | 12               | 200                              |
|                             | Administration   | 11               | 200                              |
|                             | Health and Dental Benefits   | <u>--</u>        | <u>6,700</u>                     |
|                             | Total  | 89               | 8,900                            |



| <u>Department</u> | <u>Program Description</u>   | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|-------------------|------------------------------|------------------|--|
| <u>Planning</u>   |                              |                  |  |
|                   | General Plan                 | 31               | \$ 800                                 |
|                   | Control of Land Development  | 9                | 200                                    |
|                   | Environmental Quality        | 10               | 100                                    |
|                   | Administration               | <u>21</u>        | <u>350</u>                             |
|                   | Total                        | 71               | \$ 1,450                               |
| <u>Police</u>     |                              |                  |  |
|                   | Air Support Division         |                  |  |
|                   | Police Officers              | 80               |  |
|                   | Civilian                     | 12               | \$ 2,300                               |
|                   | Public Disorder              |                  |  |
|                   | Intelligence Division        |                  |  |
|                   | Police Officers              | 75               |  |
|                   | Civilian                     | 15               | 1,600                                  |
|                   | Labor Relations Division     |                  |  |
|                   | Police Officers              | 18               |  |
|                   | Civilian                     | 2                | 500                                    |
|                   | One-Half Internal            |                  |  |
|                   | Affairs Division             |                  |  |
|                   | Police Officers              | 29               |  |
|                   | Civilian                     | 10               | 900                                    |
|                   | Geographic Community         |                  |  |
|                   | Relations                    |                  |  |
|                   | Police Officers              | 50               |  |
|                   | Civilian                     | 3                | 1,200                                  |
|                   | Traffic Support Division -   |                  |  |
|                   | Administrative Unit          |                  |  |
|                   | Police Officers              | 16               |  |
|                   | Civilian                     | 7                | 400                                    |
|                   | Traffic Intersection Control |                  |  |
|                   | Civilian                     | 125              | 1,700                                  |
|                   | Transfer Jails to County     |                  |  |
|                   | Police Officers              | 50               |  |
|                   | Civilian                     | 305              | 6,100                                  |
|                   | Command Staff                |                  |  |
|                   | Police Officers              | 33               | 1,300                                  |
|                   | Adjutants to Deputy Chiefs   |                  |  |
|                   | Police Officers              | 10               | 300                                    |
|                   | Personnel Division -         |                  |  |
|                   | Background Checks            |                  |  |
|                   | Police Officers              | 18               | 400                                    |
|                   | Police Student Workers       |                  |  |
|                   | Civilian                     | 98               | 400                                    |





| <u>Department</u>    | <u>Program Description</u>                       | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|----------------------|--|------------------|--|
| <u>Police</u> (Cont) |  |                  |  |
|                      | Public Affairs Section                           |                  |  |
|                      | Police Officers                                  | 6                |  |
|                      | Civilian   | 10               | \$ 200                                 |
|                      | Administrative Operations                        |                  |  |
|                      | Police Officers                                  | 9                |  |
|                      | Civilian   | 3                | 200                                    |
|                      | One-Half Metro. Division                         |                  |  |
|                      | Police Officers                                  | 132              | 3,000                                  |
|                      | Employee Opportunity<br>and Development          |                  |  |
|                      | Police Officers                                  | 20               |  |
|                      | Civilian   | 3                | 500                                    |
|                      | Training Division                                |                  |  |
|                      | Police Officers                                  | 82               |  |
|                      | Civilian   | 88               | 3,000                                  |
|                      | Retain Southeast Los Angeles<br>Station Unopened |                  |  |
|                      | Police Officers                                  | 28               |  |
|                      | Civilian   | 37               | 900                                    |
|                      | Patrol - 30 Percent Reduction                    |                  |  |
|                      | Police Officers                                  | 983              | 21,000                                 |
|                      | Criminal Investigation -<br>30 Percent Reduction |                  |  |
|                      | Police Officers                                  | 332              | 8,400                                  |
|                      | One-Half Geographic<br>Vice Enforcement          |                  |  |
|                      | Police Officers                                  | 74               | 1,700                                  |
|                      | HQ Team Supervisory Reduction                    |                  |  |
|                      | Police Officers                                  | 15               | 400                                    |
|                      | One-Quarter Supply Division                      |                  |  |
|                      | Police Officers                                  | 1                |  |
|                      | Civilian   | 10               | 200                                    |
|                      | One-Quarter Automated<br>Information Division    |                  |  |
|                      | Police Officers                                  | 7                |  |
|                      | Civilian   | 18               | 400                                    |
|                      | One-Half Planning and<br>Research Division       |                  |  |
|                      | Police Officers                                  | 5                |  |
|                      | Civilian   | 6                | 200                                    |
|                      | Employee Relations<br>Administration             |                  |  |
|                      | Police Officers                                  | 2                |  |
|                      | Civilian   | 2                | 100                                    |
|                      | Behavioral Science Section                       |                  |  |
|                      | Civilian   | 4                | 100                                    |





| <u>Department</u>    | <u>Program Description</u>    | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|----------------------|-------------------------------|------------------|--|
| <u>Police</u> (Cont) |                               |                  |  |
|                      | One-Quarter Administrative    |                  |  |
|                      | Narcotics Division            |                  |  |
|                      | Police Officers               | 38               |  |
|                      | Civilian                      | 4                | \$ 900                                 |
|                      | Chief's Community Relations   |                  |  |
|                      | Section                       |                  |  |
|                      | Police Officers               | 14               |  |
|                      | Civilian                      | 3                | 400                                    |
|                      | Commission Staff              |                  |  |
|                      | Police Officers               | 1                |  |
|                      | Civilian                      | 6                | 100                                    |
|                      | One-Quarter Juvenile Division |                  |  |
|                      | Police Officers               | 18               |  |
|                      | Civilian                      | 2                | 400                                    |
|                      | Traffic Enforcement -         |                  |  |
|                      | 30 Percent Reduction          |                  |  |
|                      | Police Officers               | 103              | 2,400                                  |
|                      | Vehicle Reduction - 500       | --               | 2,500                                  |
|                      | Related Technical Support     |                  |  |
|                      | Reduction                     |                  |  |
|                      | Civilian                      | <u>200</u>       | <u>4,000</u>                           |
|                      | Police Officers               | 2,249            |  |
|                      | Civilian                      | 973              | \$68,100                               |

Public Utilities and Transportation

|                            |           |            |       |
|----------------------------|-----------|------------|-------|
| Communications Services:   |           |            |       |
| One-Half Messenger         |           |            |       |
| Mail                       | 8         | \$ 100     |       |
| One-Half Auto              |           |            |       |
| Messenger Mail             | 8         | 100        |       |
| 30 Percent U.S. Mail       | --        | 200        |       |
| Basic Telephone:           |           |            |       |
| One-Half Telephone         |           |            |       |
| Operators                  | 26        | 500        |       |
| 30 Percent Telephone       |           |            |       |
| Expense                    | --        | 1,500      |       |
| Radio and Special Communi- |           |            |       |
| cations Services -         |           |            |       |
| One-Fifth of Positions     | 41        | 1,200      |       |
| Administration -           |           |            |       |
| One-Half of Staff          | <u>16</u> | <u>200</u> |       |
| Total                      | 99        |            | 3,800 |



| <u>Department</u>   | <u>Program Description</u>     | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|---------------------|--------------------------------|------------------|--|
| <u>Public Works</u> |                                |                  |  |
|                     | <u>Contract Administration</u> |                  |  |
|                     | Construction Inspection        | 55               | \$ 1,221                               |
|                     | <u>Engineering</u>             |                  |  |
|                     | Assessment Financed            |                  |  |
|                     | Improvements                   | 10               | \$ 215                                 |
|                     | Flood Control Facilities       | 20               | 503                                    |
|                     | Sewage Disposal Facilities     | 75               | 1,660                                  |
|                     | Privately Financed             |                  |  |
|                     | Improvements                   | 10               | 202                                    |
|                     | Street Improvement             |                  |  |
|                     | Engineering                    | 60               | 1,340                                  |
|                     | Street Maintenance             |                  |  |
|                     | Engineering                    | 20               | 419                                    |
|                     | Multi-Modal Transportation     |                  |  |
|                     | Engineering                    | 10               | 241                                    |
|                     | General Mapping Support        | 30               | 585                                    |
|                     | General Survey Support         | 30               | 700                                    |
|                     | Administration                 | 60               | <u>1,325</u>                           |
|                     | Total                          | 325              | 7,190                                  |
|                     | <u>Public Buildings</u>        |                  |  |
|                     | Eliminate Construction         |                  |  |
|                     | Projects                       | 81               | \$ 3,100                               |
|                     | Eliminate Construction         |                  |  |
|                     | Projects Design                | 25               | 600                                    |
|                     | Custodial, Maintenance,        |                  |  |
|                     | Security                       | <u>149</u>       | <u>2,400</u>                           |
|                     | Total                          | 255              | 6,100                                  |
|                     | <u>Right of Way and Land</u>   |                  |  |
|                     | Acquisition and Sale of        |                  |  |
|                     | Real Property                  | 51               | \$ 1,000                               |
|                     | Property Management            |                  |  |
|                     | Expense - Leases               | <u>--</u>        | <u>700</u>                             |
|                     | Total                          | 51               | 1,700                                  |





| <u>Department</u> | <u>Program Description</u>   | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|-------------------|--|------------------|--|
| <u>Sanitation</u> |  |                  |  |
|                   | Flood Control - Reduce<br>by 75 Percent                              | 72               | \$ 1,100                               |
|                   | Sewage Collection, Treat-<br>ment and Disposal:                      |                  |  |
|                   | Hyperion   | 26               | 400                                    |
|                   | Los Angeles Glendale<br>Water Reclamation -<br>Cease Operations      | 29               | 600                                    |
|                   | Sewer Maintenance -<br>Reduce Staffing by<br>One-Half                | 81               | 2,200                                  |
|                   | Industrial Waste<br>Inspection-Eliminate                             | 33               | 600                                    |
|                   | Southern California<br>Coastal Water Research<br>Project - Eliminate | --               | 200                                    |
|                   | Household Refuse Collection  |                  |  |
|                   | Bulky Item<br>Collection-Eliminate                                   | 15               | 200                                    |
|                   | Refuse Collection -<br>Reduce Staffing                               | 49               | 700                                    |
|                   | Refuse Collection -<br>Eliminate Paid<br>Overtime                    | --               | 2,900                                  |
|                   | Dead Animal Collection -<br>Eliminate                                | 10               | 200                                    |
|                   | Administration   | 38               | 700                                    |
|                   | Total  | 353              | \$ 9,800                               |

Street Lighting

|  |    |     |
|--|----|-----|
| Eliminate Bureau and<br>transfer 86 positions to<br>the Bureau of Engineering<br>and Department of Traffic | 45 | 791 |
|--|----|-----|

Street Maintenance

|   |     |        |
|---|-----|--------|
| Weed Abatement, Brush and<br>Debris Removal | 38  | \$ 900 |
| Street Use Inspection                       | 21  | 300    |
| Street Cleaning                             | 101 | 2,000  |
| Street Tree and Parkway<br>Maintenance      | 69  | 1,200  |
| Street Maintenance                          | 200 | 5,700  |
| Technical Support                           | 58  | 900    |
| Administration                              | 8   | 200    |
| Total                                       | 495 | 11,200 |





| <u>Department</u>     | <u>Program Description</u>                               | <u>Position</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|-----------------------|--|-----------------|--|
| <u>Transportation</u> |  |                 |  |
|                       | Vehicle Repair, Maintenance, and Service Operations:     |                 |  |
|                       | Helicopter Repair  | 5               | \$ 100                                 |
|                       | Storekeeping   | 8               | 100                                    |
|                       | Dispatching, Floor Service, Driver Service               | 10              | 100                                    |
|                       | Vehicular Equipment Acquisition and Replacement          | --              | 7,100                                  |
|                       | Parking Program - City Hall and Other Parking Programs   | 5               | 100                                    |
|                       | Administration   | 14              | 200                                    |
|                       | Total  | 42              | \$ 7,700                               |
| <u>Supplies</u>       |  |                 |  |
|                       | Petroleum Products - 30 Percent Reduction in Vehicle Use | --              | \$1,400                                |
|                       | Supplies Management                                      | 23              | 350                                    |
|                       | Office Equipment Repair                                  | 5               | 75                                     |
|                       | Administration   | 2               | 25                                     |
|                       | Total  | 30              | 1,850                                  |
| <u>Traffic</u>        |  |                 |  |
|                       | Traffic Control System Monitoring                        | 40              | \$ 800                                 |
|                       | Traffic Control System Improvements                      | 75              | 1,700                                  |
|                       | Traffic Control System Maintenance                       | 29              | 455                                    |
|                       | Technical Support  | 35              | 495                                    |
|                       | Administration   | 15              | 250                                    |
|                       | Total  | 194             | 3,700                                  |



| <u>Department</u>            | <u>Program Description</u>   | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|------------------------------|--|------------------|--|
| <u>General City Purposes</u> |  |                  |  |
|                              | Promotion of Image of<br>the City Programs   | --               | \$ 454                                 |
|                              | Governmental Services<br>Program   | --               | 42                                     |
|                              | Intergovernmental<br>Relations Program   | --               | 21                                     |
|                              | Retirement Contributions   | --               | <u>1,800</u>                           |
|                              | Total  | --               | \$ 2,317                               |
| <u>Library</u>               |  |                  |  |
|                              | Public Library Services  | 303              | 5,300                                  |
| <u>Recreation and Parks</u>  |  |                  |  |
|                              | Delete Street Murals<br>Program  |                  | \$ 111                                 |
|                              | Reduce Festival Expense  |                  | 74                                     |
|                              | Eliminate Hillside<br>Exhibits at Zoo  |                  | 62                                     |
|                              | Delete Zoo Education Unit  |                  | 77                                     |
|                              | Delete July 4th Fireworks<br>Display   |                  | 25                                     |
|                              | Close Recreation Centers<br>Friday Nights and Sunday   |                  | 261                                    |
|                              | Eliminate Children's Zoo   |                  | 157                                    |
|                              | Close Pools Two Weeks  |                  | 211                                    |
|                              | Delete Camps Program   |                  | 689                                    |
|                              | Eliminate Park Rangers<br>Program  |                  | 448                                    |
|                              | Reduce Recreation Leader<br>Positions  |                  | 392                                    |
|                              | Eliminate Nature Programs,<br>Travel Town, Historic<br>and Cultural Sites and<br>Cabrillo Marine Museum          |                  | 357                                    |
|                              | Eliminate approximately<br>90 percent of all<br>Recreational Activities<br>(does not include park<br>activities) |                  | <u>8,337</u>                           |
|                              | Total  | 600              | 11,201                                 |





| <u>Department</u>  | <u>Program Description</u>                        | <u>Positions</u> | <u>Amount</u><br><u>(thousands \$)</u> |
|--|---|------------------|--|
| <u>Capital Improvement Expenditure Program</u>               |   |                  |  |
|  | Fire Facilities<br>Tax Override                   | --               | \$ 4,750                               |
| <u>Public Facilities Trust Fund</u>                          |   | --               | 5,200                                  |
| <u>Comprehensive Employment and Training<br/>Act Program</u> |   | 5,500            | 10,148                                 |
| <u>City Employees Retirement System</u>                      |   |                  |  |
|  | Regular - For Position<br>Reductions Listed Above | --               | \$11,000                               |
|  | Comprehensive Employment<br>and Training Act      | --               | <u>5,000</u> 16,000*                   |
| <u>Fire and Police Pensions</u>                              |   |                  |  |
|  | For Position Reductions<br>Listed Above           | --               | <u>32,350*</u>                         |
|  | Regular - Civilian                                | 4,519**          |  |
|  | Fire fighters                                     | 1,040            |  |
|  | Police  |                  |  |
|  | Officers  | <u>2,249</u>     |  |
|  |   | 7,808**          |  |
|  | CETA  | <u>5,500</u>     |  |
|  | TOTAL   | <u>13,308**</u>  | <u>\$261,105**</u>                     |

\*It is likely that the following year savings would be less since the actuarial rates would probably increase.

\*\*Only for the major programs listed.



City Enactment of New or Increased  
Taxes and Fees  
 (If effective for entire fiscal year)

Million \$

Refuse Collection fee

City costs could be recovered by the following monthly charges:

|                          |        |    |
|--------------------------|--------|----|
| Single family residences | \$5.00 |    |
| Multiple units: 2, 3, 4  | 3.33   |    |
| 5 and up                 | 2.86   | 41 |

Sewer Service charge

A volume charge (based on water consumption) of approximately \$.75 per month for residential users plus an increase of approximately 55% in the commercial charge is required to recover City costs

7

Admissions tax

A 10% tax imposed on most forms of entertainment, including sporting events, motion picture theatres, plays, concerts, cabarets, etc.

18

Occupation tax

A 2% tax, with first \$6,500 earned exempted. This is similar to Oakland proposal now on appeal to California Supreme Court. The City probably should not enact tax until a favorable decision is rendered.

160

Parking Space Occupancy Tax

A 10% tax on parking fees in commercial lots (excluding governmental operated lots and parking meters in lots and streets)

15

Harbor Department payment for City fire protection costs

3

244 \*

\*A study might be conducted to determine the feasibility of an across the board increase in business license tax rates to offset the savings accruing from the reduction in property taxes on the premise that it is unlikely that the property tax savings will be passed on to consumers. Alternatively, increases in rates might be limited to certain categories, e.g., 21.99-- Hotel, Apartment, etc.; 21.3.2--Commercial Tenant's Occupancy; etc.;)





Additional Revenues that Could Be Received  
If State Authority is Granted  
(If effective for entire fiscal year)

Million \$

Surcharge on State income tax

A ten percent surcharge applied to both personal income and corporate income taxes and distributed first to the county of origin and then between cities and the county on the basis of population

47.5

Alcoholic beverage tax ("tippler's tax")

A 5% tax for consumption on the premises where sold

8.5

Phase out of the State in-lieu tax on banks and removal of the exemption for banks from payment of local taxes (business license, utility users, personal property taxes)

8.0

Increase City share of cigarette tax from 3¢ to 6¢ per package either by raising tax from 10¢ to 13¢ per package or reducing State share from 7¢ to 4¢ per package

13.7

77.7 \*

\*The City has long sought an increase in the Motor Vehicle in-lieu tax. An additional \$13 million would be received if the rate is increased from 2% to 2.8% of market value, which is the average Statewide property tax assessment. We interpret the Motor Vehicle tax as a privilege tax and therefore not affected by the Jarvis initiative (if this interpretation is incorrect, the City's revenues would be reduced by \$16.1 million). In view of the historical relationship of this tax to property tax assessments we have not included the potential increase of \$13 million.

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